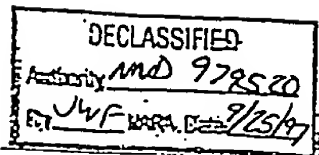


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NORMALIZATION OF U.S.-PRC RELATIONS  
AND  
THE FUTURE OF TAIWAN

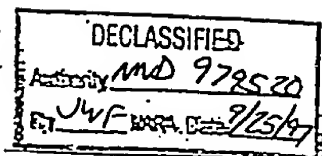
The most sensitive issue for discussion on this trip is a set of terms for full normalization of U.S.-PRC relations, and the linkage of normalization to the future security of Taiwan. This memorandum briefly reviews the various stages through which your discussions with PRC leaders on the normalization question and Taiwan's future have evolved since 1970, and outlines a package of proposals on the outstanding issues related to normalization which might form the basis of negotiations. Talking points for a presentation are included as well.

We Are In Stage Three of a Four Stage Normalization Process

As one reviews the pattern of evolution of U.S.-PRC relations over the past five years, it is evident that we have largely completed the second phase of efforts to normalize relations in what is likely to be a four-stage process. The first stage, which in essence defined general political groundrules for the rebuilding of Sino-American relations, began with the Administration's efforts in 1969 to signal to the PRC its interest in a serious political dialogue and culminated in the 1972 signing of the Shanghai Communique. We drew a receptive leadership in Peking into talks at an authoritative level by indicating in five basic principles expressed by you and President Nixon a "willingness to accommodate the PRC's major concerns about the future of Taiwan (independence, or third power influence on the island) and to recognize the legitimacy of the PRC as the government of China.

Peking facilitated the political dialogue which produced the Shanghai Communique by giving up its "we won't talk until you give us back Taiwan" approach of the 1950s and '60s and moving to an evolutionary position on the future of the island -- given its more pressing concern with the Soviet threat. The key political compromise on Taiwan which was embodied in the Shanghai Communique was our commitment to withdraw "all U.S. military forces and installations" from

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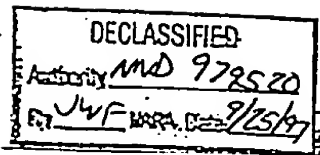
the island in return for Peking's willingness to sign a document which publicly linked ("with this prospect in mind") the withdrawal to the U. S. concern for a peaceful resolution of the Taiwan issue. This public position was reinforced by a private assurance of the Administration's intention to work to complete the normalization process in its second term, in return for which the Chinese have avoided pressing us for movement on issues related to the island.

One of the more interesting aspects of this first phase of the evolution of our relationship with Peking has been the astute willingness of both sides to avoid addressing in specific terms the practical modalities required to implement a fully normalized relationship. The Chairman and Premier did not press you or President Nixon on termination of our Mutual Defense Treaty with Taipei -- as one example -- while we did not press the Chinese for an explicit commitment to "peaceful liberation" (although both you and the President made it clear that this was our preference). To have attempted to define explicitly our respective positions on such issues in the early phase of restoring relations might have aborted the normalization process; yet each side has been willing to deepen the relationship on the expectation that common interest would facilitate the finding of some practical means for resolving the outstanding issues.

The second stage of normalization has been a period of implementing the understandings reached during the first phase. Paralleling the implementation, however, have been delicate efforts on both sides to define more specifically the terms which would permit completion of the process. This phase began during your February, 1973 trip to Peking and has continued to the present time. With the ending of American involvement in combat operations in Vietnam you initiated steps to draw down our military presence on Taiwan. This involved your informing Premier Chou during the February, 1973 trip of the removal of the C-130 and F-4 squadrons. The withdrawal program was further promoted during your November, 1973 visit when you informed the Chinese of the termination of the U-2 program and removal of nuclear weapons from the island.

The PRC response to your statements on our military withdrawals was in interesting mixture of passive acceptance of these indications of a follow-through on the terms of the Shanghai Communique (as if to imply quiet approval) accompanied by a clear indication from

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Premier Chou that Peking does not want a rapidly paced withdrawal -- lest this cause anxiety in Taipei and given an opening to the ambitions of some "third country." At the same time, the Premier grilled you on the nature of the F5-E co-production arrangement and the combat characteristics of this aircraft, thus evincing concern that we might increase the self-defense capability of the island.

Peking has thus sought to have us walk a delicate line between symbolic steps which would clearly indicate the trend of our policy toward full normalization, yet with limited practical actions which would hold the leadership in Taipei to its current "one China under U.S. protection" policy. An important question underlying your forthcoming talks in Peking is what price Chinese leaders are willing to pay for our continuing to bridge the island to the mainland -- even while they publicly call for "liberation" of Taiwan and attack the U.S. as an imperialist power.

During 1973 our relationship with Peking acquired greater institutional form. In February, agreement was reached to establish the Liaison Offices, which have functioned as embassies in all but name; and during the year cultural and scientific exchanges, and trade contacts, reached unprecedented levels of activity.

Paralleling the development of these institutional ties has been a continuing effort by leaders on both sides to define the terms for completing the normalization process. In February, 1973 you sketched out for Premier Chou a four-year process of promoting military withdrawals and the establishment of official presences in our respective capitals by 1974, and then moving to complete normalization along the lines of the Japanese solution by mid-1976. At the same time, you indicated our desire for some form of residual representation in Taipei and the need for an understanding with Peking that the ultimate solution of the Taiwan question would be peaceful. The Premier did little more during this discussion than inquire how long we envisaged a military assistance program to Taiwan, and indicate that Peking had no plans "at the moment" to liberate the island by armed force.

The most authoritative statement of Peking's terms for normalization came with Chairman Mao's discussion of the issue in November, 1973. The Chairman stressed the geopolitical situation in the world as being more fundamental to our relationship than Taiwan. At the same time

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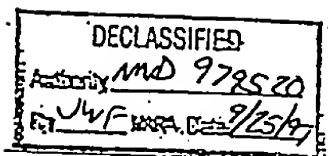
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...need to follow the Japanese pattern as a basis for establishing formal diplomatic relations. He also said he did not believe in the possibility of a peaceful transition for the island, but added that Peking could wait a hundred years on the Taiwan question. In effect the Chairman proposed a limitation of time on the "liberation" issue rather than a limitation on the modality by which Peking would ultimately gain control of the island. Subsequent to your session with Mao his criteria for normalization -- the Japanese pattern, but no prospect for a peaceful solution -- have been reiterated to you and others by Vice Premier Teng Hsiao-p'ing and Vice Foreign Minister Ch'iao Kuan-hua. PRC media references to the possibility of "peaceful liberation," which had been notable in the Chinese press in 1972 and 1973 as well as in the private statements of senior PRC officials, receded from view.

In retrospect it appears that Chinese leaders responded to your suggestion in November, 1973 that you were prepared to move to full diplomatic relations at an early date if some mutually acceptable way of handling the Taiwan issue could be found, by trying to accelerate the pace of normalization. They did this by proposing an apparently accommodating phrase on terms for an agreement which was incorporated into the communique of your November, 1973 visit: normalization "can be realized only on the basis of confirming the principle of one China." How rapidly they expected a concrete proposal in response is uncertain, although you indicated we would be back in touch with them on this issue shortly. What is clear is that the onset of public political conflict within China beginning in mid-January of 1974, and the subsequent escalation of Watergate-generated tensions in the U.S., was accompanied by a chilling of the atmospherics surrounding U.S.-PRC relations (although -- it might be noted -- the exchange program had stalled in the second half of 1973 in the context of China's Tenth Party Congress).

It is highly doubtful that the PRC reaction to the appointment of Leonard Unger as our new ambassador to Taipei in mid-February, 1974 -- as with Premier Chou's questioning of you in November, 1973 about the opening of two new ROC consulates in the U.S. -- was the cause of certain anti-American themes which appeared in PRC media during 1974. At the same time, these events were probably picked up by "opposition" elements in China as pressure points on the Mao/Chou leadership. Your private contacts with PRC leaders during

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this period, however, have remained cordial, with each side reassuring the other that despite minor problems our relationship was evolving as anticipated.

As the time for your November trip to Peking has approached, both we and the Chinese have sought to refine expectations related to the anticipated discussion of the normalization issue. During your October 2nd dinner with Vice Foreign Minister Ch'iao you commented on various constraints we have in working out an agreement on this issue. At the same time, you stressed our need for some form of residual representation in Taipei -- either a Liaison Office or a Consulate -- and the question of some guarantee for a "peaceful transition" for Taiwan. Ch'iao reiterated the Chairman's remarks about the need to follow the Japanese pattern, his belief that a "peaceful transition" is impossible, but that China is prepared to wait a hundred years to gain control of the island. The Vice Foreign Minister also reiterated the comments of both the Chairman (in November, 1973) and Vice Premier Teng (at your April, 1974 dinner in New York) that while they are in no hurry to establish diplomatic relations they are prepared to do so any time the U.S. feels the need.

Despite this apparently relaxed attitude in Peking, PRC leaders -- facing the uncertainties of their succession crisis with an ailing Premier and a delicately balanced coalition of Party, military, and radical groupings -- have given some evidence in recent days of a desire to complete the normalization process. PRCLO interpreter Chi Ch'ao-chu told Dick Solomon on October 25 that it is hoped the process will not be "stretched out." We believe that despite the comments of Chairman Mao and other leaders to the contrary, the Chinese feel under substantial pressure to consolidate their relationship with the U.S.

Perhaps the most interesting -- although not fully reliable -- indication of this was a comment made in late October by pro-PRC writer Han Suyin after discussions with Chinese leaders in Peking during September. Ms. Han told a trusted Indian confidant in Hong Kong that senior PRC officials were concerned about the ability of the successor generation to exert a firm grip on foreign policy issues, especially in the face of some pressures from PLA elements for an accommodation with the Soviets.

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Thus, on the eve of your late November trip to Peking, past discussions between U.S. and PRC leaders, and the limited institutionalization of a new relationship between Washington and Peking, have brought both sides well into the third phase of the normalization process, defining in concrete terms a package deal which would bring about the establishment of diplomatic relations.\* Whether or nor this phase of the process will be completed during your upcoming trip is a question of how far you and the President feel we can go on the issue of terms for the future security of Taiwan, as well as the room for play on this issue in Peking. As we suggested in the scope analysis, it is possible that we and the Chinese will stalemate on this question, in part as a way of testing the limits of each other's positions, with an additional trip being required sometime in the late spring or summer of 1975 to complete the definition of terms -- and perhaps to plan a second Presidential trip to Peking to consummate normalization.

We do believe, however, that the fragile element of confidence, built up during your past discussions with PRC leaders, will best be

\* The fourth stage of normalization will involve implementing the terms of an agreement and solving certain bilateral problems -- an agreement on consular relations, solution of the claims/blocked assets/MFN complex of economic issues, reaching air and maritime transport agreements -- which would fully institutionalize U.S.-PRC relations. This phase could begin as soon as you have negotiated terms for full normalization, although it is likely to run on substantially beyond the time when diplomatic relations are established.

This final stage of normalization would also be a period of working out with Taipei arrangements for "post-withdrawal-of-recognition" relations: transforming our respective governmental offices into some "unofficial" form of representation; drawing down to some lower level the U.S. military and intelligence presence on the island; restructuring our lines of commercial and social access to the island where necessary to meet the requirements of our now non-diplomatic form of contact; and assisting the government in Taipei in coping with its seriously altered political circumstances. Related issues are at what point in time we would inform Premier Chiang Ching-kuo of our movement toward full normalization with Peking, and what position we might take toward fostering, or mediating, any possible negotiations between Taipei and Peking.

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sustained by a straight-forward approach to consideration of the specific terms of a normalization agreement on this trip. Such a manner of proceeding will, as well, take advantage of the continuing but uncertain tenure of Chairman Mao as a source of authority able to negotiate and legitimize a normalization agreement. If mutually acceptable terms are not possible under present circumstances, we believe it is better to find this out with Mao alive than to face a situation of diffused authority, if not political chaos, which is likely to come with his passing.

A Package of Proposals for a Normalization Agreement

During your October 2nd dinner with Vice Foreign Minister Ch'iao you clearly indicated the problem areas we have to contend with in reaching a normalization agreement. In structuring your discussion of this issue in Peking, we believe you should now shift to an up-beat, positive approach by indicating to the Chinese that you have in mind a package proposal which we believe will meet their criteria of "confirming the principle of one China" along the lines of the Japanese solution. At the same time, of course, you will reiterate our need for some arrangement which will take into account the future security of Taiwan.

We see the following elements of a package proposal (as was detailed for you in the briefing paper prepared for your October 2nd dinner in New York -- appended here at Tab 1):

-- Formal diplomatic recognition of the PRC as the "sole legal government" of China, with exchange of ambassadors.

-- Withdrawal of legal recognition of the ROC, with transformation of our embassy in Taipei into a Liaison Office or Consulate-General.

While there remains some uncertainty about whether Peking will accept the notion of a U.S. Liaison Office in Taipei, the fact that no PRC official has publicly or privately attacked this proposal -- which was first publicly floated by Senator Jackson after his July, 1974 trip to Peking (and this includes Ch'iao Kuan-hua during your October 2nd dinner) -- gives us some basis for expecting that this arrangement will be acceptable to Peking. Indeed, given latent PRC concerns that a

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rapid normalization process might panic Taipei into some rash action, we would be surprised if they did not accept some fairly reassuring remnant U.S. presence in Taipei -- as long as it does not give formal legitimacy to the ROC as a separate state or government.

A related question is the form of residual ROC representation in the U.S. which would be acceptable to Peking. On grounds of symmetry it seems reasonable to assume the PRC would accept the same form of office for Taipei in Washington as we will maintain in Taipei. On political grounds it can be argued that this residual ROC contact with the U.S. will help "hold" Taipei to its present policies, limit the possibilities of independence, and provide a possible point of contact between Peking and ROC leaders for any negotiating efforts.

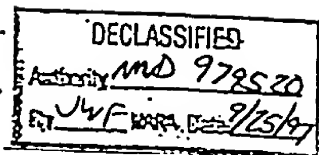
-- Explicit U.S. confirmation of the Principle of "one China," presumably through a reiteration of the position that Taiwan is part of China as was expressed in the Cairo and Potsdam declarations of the 1940s. [See proposed language on page 3 of the paper at Tab 1.]

-- PRC agreement to continuing U.S. commercial, social, and other such access to Taiwanese society.

As noted above, we believe Peking may want such a presence as a reassurance to Taipei, as long as it does not encourage a declaration of formal independence of the island from China. Assuming this is so, the related issues for us are what role, if any, the U.S. might play in honest-brokering any future negotiations between Peking and Taipei, and what price we should expect from Peking for continuing to restrain the island from going the route of independence and helping to exclude a third country presence.

-- Some form of "peaceful reintegration" or, at the very least, a "we can wait a hundred years" statement from Peking to compensate for the lapse in our Mutual Defense Treaty with the ROC [which, will automatically come about with recognition of the PRC as the sole legal government of China] and the termination of the legal basis for the exercise of self-defense by the ROC and the United States. Such a statement can be paralleled by a unilateral American statement

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expressing continuing interest in a peaceful resolution of the Taiwan question, and/or a Congressional resolution to the same effect.\*

\* We have considered, but rejected as a negotiating position, another approach to insuring the future security of Taiwan. This is through a joint U.S. - PRC statement which publicly committed both sides to "do their utmost to ensure that there is no threat or use of armed force in a settlement of the Taiwan question." (See this option in full on page 4 of the paper at Tab 1.) Such a joint public statement would provide some legal basis for U.S. participation in collective self-defense with the authorities on Taiwan.

We rejected this approach for a number of reasons:

-- It is almost certain to be unacceptable to Peking, and indeed might be seen as a provocative negotiating position. As well, we assume that you do not want to have to fall back from what is almost certain to be viewed by PRC leaders as a "straw man" position.

-- It is inconsistent with your past private statements to PRC leaders that we no longer expect them to make a joint statement on non-use-of-force as Secretary Dulles proposed in 1955. (See excerpts of these statements at Tab 2.)

-- We believe that the two other options on the security issue which are incorporated into your talking points are in the range of acceptable positions for both the PRC and U.S.

-- As well, we believe long-term U.S. interests will not be served by an arrangement which commits us to defend Taiwan's security in the context of normalized relations with the PRC. Because this position would appear to give us the right to intervene in China's internal affairs it would leave a "tail" which would complicate our future dealings with Peking. It might also generate some criticism from "the left" in Congress.

At the same time, however, there are several arguments to be made for the use of this option as a negotiating position. (This perspective has been developed in a very helpful analysis of the

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legal aspects of our negotiating paper by George Aldrich, which is appended here at Tab 3 .) The arguments for this option are as follows:

-- By seeking an agreement with Peking which would maintain a legal basis for collective defense of Taiwan we would be fulfilling our past security obligations to the ROC. As well, we would reduce to a minimum the domestic repercussions of U.S.- PRC normalization (the criticism that we had "sold out" an old friend) or the impact on our international relationships ("the U.S. is an unreliable ally"). [We believe the Aldrich position is overly pessimistic in thinking that the two positions we do support in this paper would not be acceptable domestically or that they would not meet the concerns of ally states. In addition, the objection does not take into account the impact of this position on our relations with Peking.]

-- Even if we do not think Peking will buy this position, we should advance it at least to be able to convince Congress and our public at a later date that we made a try for more complete protection for Taiwan. [These arguments have some merit, but they are countered by the equally likely Congressional and public response that we "caved in" during negotiations with Peking.]

-- For tactical reasons you may wish to advance our most preferred alternative, even knowing it is very likely to be unacceptable to Peking, because it will produce a stalemate which would convince PRC leaders of our need for at least a strong unilateral commitment to the "peaceful liberation" of Taiwan. [We believe that this argument falls apart because of the way Peking is likely to view the proposal as provocative and inconsistent with your past statements. The Chinese would very likely respond by saying that our position represented real backsliding, or indicated that President Ford was reneging on the Nixon assurances regarding normalization of relations. In short, it would produce an erosion of confidence.]

Thus, we do not recommend that you use this position. However, you may wish to discuss with the President the arguments pro and con so that there is no feeling in the future that a "better deal" might have been negotiated. Should you decide to use this position, we have prepared alternative talking points, which are at Tab 4 .

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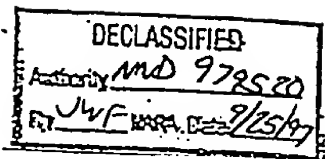
The issue of Taiwan's security will be the cutting edge of your discussions in Peking. Chairman Mao (and following him, Ch'iao Kuan-hua) has clearly sought to load the discussion in favor of a time-limited statement on "liberation" by saying he does not personally believe in the possibility of a "peaceful transition." Ch'iao has hardened the Chairman's formulation somewhat. At the same time, no PRC official has flatly ruled out the possibility of at least a conditional non-use-of-force statement. Indeed, there is a substantial record of both public and private statements by Premier Chou En-lai and Vice Premier Teng Hsiao-p'ing to the effect that Peking "hopes for" and is "willing to strive for" a peaceful resolution of the Taiwan question. [See a summary of such statements at Tab 2.]

Each side now understands that "peaceful reintegration" is the crunch issue. Only the playing out of your up-coming trip (or trips) will fully reveal the degree of flexibility on this question on both sides. A compromise is likely to be found somewhere between a conditional "peaceful liberation" statement and a "liberation-need-not-come-for-a-hundred-years" position. [See our suggested language on these points on pages 5 and 6 of the analysis at Tab 1.]

As far as negotiating tactics are concerned, you will want to consider whether to present only the "peaceful transition" position on this trip (leaving the "liberation in a hundred years" alternative as a fallback for consideration on another visit) or whether to explore both possibilities at one time. This is a matter that will be influenced by Presidential guidance on acceptable positions, and by the atmosphere of your talks in Peking. We would only comment at this point that we do not see any particular advantage to be gained by reserving the fallback, inasmuch as it has in a sense already been tabled by the Chinese side. At the same time, you can explore both approaches in just a tentative way on this trip, and if the "feel" of the talks is not right reserve making judgment on a final normalization package until some later time.

As for what is the acceptable position given American interests, only you and the President can make that determination, but this paper has been drafted on the assumption that normalization cannot be consummated if we attempt to preserve for the U.S. a legal basis for participating in collective self-defense with Taiwan. We have assumed, as well, that some variant of the two options presented here regarding the future security of Taiwan would be politically acceptable both to the U.S. and PRC. We would just observe that the future of our relations with the PRC, as well as the security concerns of various Asian allies, will be best served by as explicit and public a statement as possible by Peking regarding its peaceful intentions toward Taiwan. Some public American expression of concern and interest in Taiwan's future security (and a residual military supply relationship with Taipei) will be necessary for our

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domestic political requirements and to sustain our international credibility on security issues.

As well, such informal remnants of our now-formal defense relationship with the ROC will give reassurance to Taiwan (which in turn is in Peking's short-run interest). Indeed, from Taipei's point of view, the residual American role in defense matters, as well as our public statements of concern about the island's future, will be of primary importance. ROC leaders are likely to place little value on any expressions of peaceful intent or patience by Peking. From the point of view of U.S.-PRC normalization, however, the more visible and formal is the residual U.S. role in the island's security, the more we leave a "tail" which could get caught up in Peking's future political squabbles and complicate our bilateral relations.

Another way of formulating this issue is that there is implicitly a trade off between the nature of any statement Peking is willing to make regarding the future of Taiwan, and the nature of our residual military supply relationship with the island: The more unequivocal a PRC statement regarding a "peaceful transition," the less we need to do to sustain Taiwan's self-defense capability. All the same, we will want to do something in the way of both a continuing military supply relationship and a unilateral American statement of concern for Taiwan's future in order to reassure the leadership and population on the island.

Both we and Peking share an interest in the U.S. maintaining at least a short-term informal defense relationship with Taipei. From an American perspective it will help meet domestic political needs and sustain the faith of allies in our relationship on security matters. For Peking it will help keep Taipei under control. Over the longer term, however, a unilateral U.S. role in maintaining Taiwan's military establishment is likely to leave us holding the bag of future political difficulties with Peking. To the degree that the Chairman sees it in China's interest to have a normal relationship with the U.S. hopefully he will help us minimize our future "tail."

-- Future U.S. military sales and defense/intelligence manpower presence on Taiwan.

As noted above, the less accommodating Peking turns out to be on a statement regarding a "peaceful transition" for Taiwan, the

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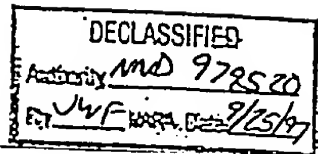
more our own requirements will have to be met by maintaining a military supply relationship with the island. In addition, there are related issues of how rapidly we draw down our remaining military personnel associated with the Taiwan Defense Command and the Military Advisory Group [who will number 2,277 personnel when our F-4 withdrawal program is completed in June of 1975\*], and our intelligence cadre of about 950 individuals engaged primarily in SIGINT collection targeted on the PRC.

As a basis for your discussions in Peking, we have completed studies of these three areas of activity related to Taiwan's security -- military sales, a residual military cadre, and PRC-related intelligence activity. Because of the technical nature of these issues, we handle them in a separate briefing book. You will want to evaluate the options and issues raised in these papers -- which we have summarized in a cover memorandum -- as a basis for any remarks you might make on these subjects during your discussions with PRC leaders about future manpower draw downs and military sales to Taipei. In evaluating these papers we have used the following policy criteria:

- It is in our interest as well as Peking's that the U.S. bring about a gradual draw down of the approximately 3,200 military and intelligence personnel who will remain on Taiwan after the completion of our F-4 withdrawal at the end of June, 1975. We believe this can be done in an orderly way by, first, making a 50% reduction by mid-1976, and then withdrawing the remainder by the end of 1978 at the latest. (In a situation where presumably we will have given up any legal basis for collective self-defense with Taiwan, we would not want to maintain an "exposed" military presence for long.)
- It is certainly in our interest that Peking bear the major burden of responsibility on the future security of Taiwan through a statement of peaceful intention regarding "liberation." To the extent that the PRC wants an issue-free relationship with the U.S., it should accommodate us on this question in a way that will not compromise the good will which exists in the U.S. for the PRC. It seems possible to do this in a way which will not compromise the PRC's sovereignty -- although there is no question but that this will be a painful problem for committed revolutionaries, one that is likely to cause some internal political strains in Peking.

\* This figure contrasts with non-intelligence DOD manpower levels on Taiwan of 9,700 at the end of 1972, 8,400 in mid-1973, and 3,550 men in mid-1974.

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The Basic Trade-Offs of a Normalization Agreement

Given the above discussion of the individual elements of a normalization agreement, it may be useful before getting to the talking points to summarize in overview form the way basic interests in Peking and Washington are likely to interplay as we try to work out a normalization agreement.

What do we offer the PRC in moving to complete the normalization process? Despite Peking's somewhat revised estimate of both the Soviet threat and American power, we offer the PRC the opportunity to consolidate a relationship with the U.S. which will end its own two-front political war of the past decade and increase somewhat Chinese security against the Soviets. We offer Chairman Mao and Premier Chou the opportunity to bring to a more-or-less successful conclusion a policy of dealing with the U.S. which they initiated in late 1944, which was abandoned as the civil war moved to a successful conclusion for the Communists, which was unproductively reopened during the Dulles era, and which finally drew a positive American response during the Nixon presidency. We offer these men the consolidation of an "anti-revisionist" [anti-Soviet] foreign policy at a time when a new generation of leaders, whose commitment to Mao/Chou policies may not be certain, is about to take the political stage in China. We offer them a position on Taiwan which will substantially foreclose for the island options of independence or a turn to some third power for protection. We can enhance the symbolic unity of China, albeit with certain limitations on either the time of its actual consummation or the manner in which unification might be achieved. (It should be noted, however, that such constraints on unification already exist -- and to some degree apart from our actions.) And finally, we can facilitate PRC access to our trade and technology (although this is hardly the motivating factor in our relations).

The price for Peking is a willingness to publicly tie their hands in some measure on the method or timing of Taiwan's "liberation." This requires more of a symbolic step than practical actions, for the PRC is presently limited in what it can do because of Soviet pressures on their northern frontier, because of Peking's desire to maintain a working relationship with us, and by the military balance in the Taiwan Strait. (We should not underestimate the political

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costs to Peking of this problem, however, given its relation to both ideological pretensions and their sensitivity on matters of sovereignty. At the same time, any public statement the Chinese might make is almost certain to be conditional, and thus can be reversed, especially by future generations of leaders.)

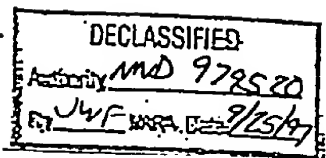
For the U.S. the gains of full normalization are less immediate, and the price substantial. By now moving to follow through on normalization we are in one sense giving Peking its due for the benefits which, in part, resulted from your 1971 secret trip and the Nixon summit meeting: the opening of a major point of leverage on the Soviets which helped to move Moscow over the past three years on "detente" generally and the SALT talks in particular; easing the way toward the negotiated ending of American involvement in Vietnam combat; and helping to bring about a dramatic and positive mood in international diplomacy which has helped us maintain domestic support for our overall foreign policy during the last years of Vietnam and subsequently.

For the future we can consolidate the elimination of one front of the cold war confrontation which was most costly in Asia -- in Korea and Vietnam. We gain not a strong bilateral relationship of "peace and friendship," but consolidate a working dialogue on international problems which will facilitate an on-going coordination of policies on issues of mutual concern (as has already been the case in Vietnam, Korea, and Japan, the Gulf States and Middle East, and Europe). In our bilateral relations we can only anticipate hard and protracted jousting as economic, cultural, and social issues are bargained out between two societies with diametrically opposed social and political systems.

The cost the U.S. faces in completing normalization is substantial: We will unilaterally terminate a formal political and defense relationship with a government that we have had dealings with since 1928. (This can be compensated for in limited measure by our residual representation in Taipei, a continuing military sales program, and by a unilateral American statement of concern for the island's security and support for a peaceful resolution of its future. Peking can assist to some degree with a public statement of its intentions, although at best such a statement will be ambiguous and deniable.) We will appear to be largely foreclosing self-determination for the people of Taiwan (although this was never a part of our China policy in the past; and if self-proclaimed independence were actually to

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come about we would not have to actually oppose it -- although Peking might press us to do so, but we would be constrained from endorsing it). We will heighten in some measure the security concerns of other allies, particularly Asian states -- although this will depend on the terms of normalization. (Their reaction will be cushioned by the fact that most of them have proceeded us some distance down the road to accommodation with Peking.)

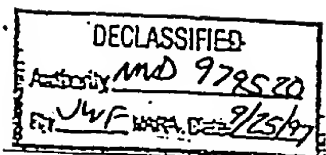
The bargaining you face in Peking will center on the trade-off between the level of a continuing American military supply relationship with Taiwan, and the nature of a PRC statement regarding the island's future security.

#### Talking Points

-- The major issue I want to discuss is how we can now move to complete the normalization process. I probably need not reiterate what President Ford indicated to the Chairman in his letter just after he was inaugurated, and what I restated to the Vice Foreign Minister during our dinner conversation in New York in October: President Ford intends to uphold the five-point approach to normalization which Mr. Nixon and I expressed to the Chairman and Premier on several occasions in the past. At the risk of sounding repetitious, let me briefly restate these points:

- (1) We will support the principle of one China, and that Taiwan is part of China.
- (2) We will not support any Taiwan independence movement.
- (3) We will use our influence to discourage any hegemonistic third country from gaining influence on Taiwan.
- (4) We will support any peaceful resolution of the Taiwan question.
- (5) We will strive to complete the full normalization of U.S.-PRC relations by mid 1976 -- or sooner if an agreement can be worked out.

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President Ford has instructed me to come here to work out with you the concrete terms of an agreement which would enable us to complete the normalization process, and to do this so that normalization will be completed within the next year and a half.

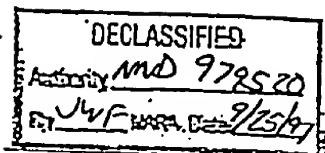
-- I want to discuss three aspects of normalization: The general philosophy which shapes our continuing commitment to this goal; the specific elements of an agreement which would "confirm the principle of one China" along the lines of the Japanese model; and the concrete problems and steps which we must contend with in consummating the normalization process.

-- Let me begin with the philosophical perspective. Why should we follow through to a fully normalized relationship? After more than three years of these official discussions, during which we have committed ourselves to a course of action with you, completing the normalization process in one sense is a matter of sustaining the measure of confidence which we believe now exists on both sides. We believe our ability to work together with you in meeting common problems is an important factor in the world today, and we intend to do all we can to enhance the level of confidence that will enable us to work together in the future.

At the same time, there are more fundamental reasons why we see it in our mutual interest to complete the normalization process. These relate to the factors which motivated both of us to try to establish a new relationship back in 1970 and 1971. Perhaps it would be useful to reiterate these points of common interest:

- Despite the real differences of ideology, social tradition, and political system which remain between us, the U.S. and China have no basic conflicts of interest in international relations. The Taiwan situation is the result of developments in 1950 which I believe neither of our countries desired, and we believe it is important to finally remove this issue as an obstacle between us. We hope that this can be done in a way which will meet domestic and international requirements important to both sides.

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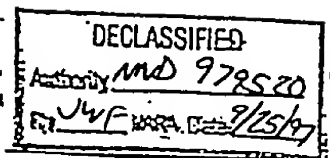
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- Despite a certain evolution in our respective perceptions about the priorities and tactics of your Northern Neighbor, I believe we continue to share a basic security interest in countering the hegemonistic aspirations of the Soviet Union. We do not see this as a matter of which side needs the other more, for as I have said on many occasions no matter whether the Russians apply pressure in the East or the West it will affect the overall strategic balance and ultimately affect everyone's security. This is not a matter -- as Chairman Mao once phrased it -- of the U.S. getting at the Soviets by "standing on China's shoulders." We know full well that efforts to use you will only erode whatever confidence we have built, and that would go against our basic evaluation of the strategic balance and the Soviet threat.
- My past exchanges with the Premier and Vice Foreign Minister regarding agreements we have signed with the Russians, or on the wisdom of various tactical approaches we might be pursuing at any one time, have indicated there are differences in our evaluations of Moscow's order of priorities, and on how to cope most effectively with their pressures. We continue to strongly believe, however, that we both have more to gain by talking out these differences and continuing to coordinate our policies than by any other course of action. We have, as you know, responded with strong measures to Russian pressures in the past few years, and we will continue to do so. We will continue to maintain our defense capabilities, and this will enable us to respond in the future. And we will continue to keep you fully informed of anything we plan to do with the Russians, above all where Chinese interests are affected.
- Finally, let me just make one observation about how normalization relates to our internal situations. While we do not comment on your domestic politics, it is evident that both our countries have been through a great deal in the past few years. While the recent increase in Democratic Party influence may heighten isolationist sentiment in our Congress to a degree, I am confident that reality and the overall judgment of American national interests will hold the country to its present foreign policy course. At the

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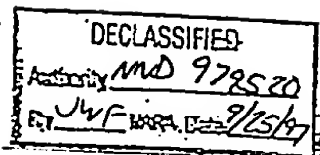
same time, we believe it is in our mutual interest to consolidate U.S.- PRC relations while those of us who began the normalization process are able to do so. We believe it is important to institutionalize in such a way that U.S.- PRC relations will stand the test of time on both sides.

-- From the perspective of these general observations, let me now spell out in concrete terms our conception of how we might solve the issues which stand in the way of full normalization. Since my discussions with the Chairman and Premier last year I have given a great deal of thought to the matter of how we might "confirm the principle of one China" as a basis for establishing diplomatic relations. At the same time, we understand your desire that this be done along the lines of the Japanese solution; indeed, I indicated to the Premier in a tentative way in February, 1973 that we had such a solution in mind. We also have not forgotten the principles regarding normalization which are incorporated into the Shanghai Communiqué. We believe the following specific steps will meet your criteria even while they enable us to deal with our requirements:

- We are prepared to recognize the PRC as the "sole legal government of China" and to exchange ambassadors -- and thus transform our Liaison Offices into embassies.
- We are prepared at the same time to withdraw legal recognition of the government on Taiwan. When this occurs our Mutual Defense Treaty will automatically lapse.

As I indicated to the Vice Foreign Minister in October, we believe it is in our mutual interest to maintain an office in Taipei after withdrawal of recognition. We assume, of course, that Taipei would have a similar point of contact in the U.S. A Liaison Office or Consulate would not imply legal recognition of the Republic of China, but it would help to reassure Taipei that they were not being cut totally adrift. At the same time, this type of arrangement would undercut any reaction in the U.S. that we were abandoning an old friend. To the extent that it is important that we keep our relationship with you from becoming controversial

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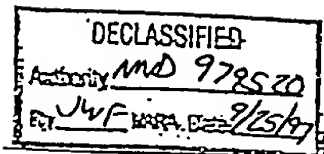
in our domestic debate, and to the degree that you are working toward a resolution of the Taiwan question in a one China framework, we believe it is in your own interest that we avoid making Taipei feel it has been totally abandoned. [In addition, a residual Taipei presence in the U.S. would provide a point of contact for any possible negotiations the two of you might decide to pursue.]

- We are prepared to reaffirm the position regarding the unity of China which the U.S. stated in the Cairo and Potsdam declarations. Put another way, we are willing to go beyond the Shanghai Communique phrase where we did not challenge the position of Chinese on both sides of the Strait that Taiwan is part of China to a direct American reaffirmation that Taiwan is part of China.
- We would expect to maintain economic, social, and other such ties with Taiwan, as the Japanese are doing. As with a remnant office in Taipei, our continuing commercial and social contacts can be said to bridge Taiwan with the PRC because of our relationship with you. In this sense they will represent a practical way of insuring the unity of China. Our presence will also make it less likely that others will seek to establish influence or a presence on the island.

We believe these elements of a normalization agreement meet the concerns and criteria on a settlement which you have expressed to us in the past. We assume they are acceptable to you.

-- Now let me come back to the security issue. Since the inception of our discussions we have indicated to you our concern that the final resolution of the Taiwan question be peaceful. At the same time, as I have just detailed, we are prepared to recognize the unity of China and to prevent others from using Taiwan to threaten your security. If we normalize on this basis, we still have the major problem of appearing to throw away people with whom, for whatever reason, we have a defense relationship. As I told the Vice Foreign Minister in New York, this is our major problem, and I believe that the way we handle it will affect your interests as well as our own. Let me explain why:

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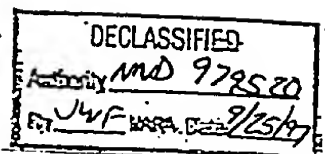
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- If we appear to be abandoning these people to a potentially violent fate, it will inevitably cause great controversy in our domestic political debate about the terms on which we have normalized relations with you. Since ping-pong diplomacy began, there has been a remarkable measure of good feeling in the U.S. for new China. This positive mood has sustained itself for four years now -- longer than some of us had anticipated. We have both exerted efforts to create this situation. You are well aware, also, that "detente" with your Northern Neighbor has not enjoyed such a positive reception. We believe it would be a great mistake to now generate a serious controversy about our relations with you given the things we have to do in the Middle East, South Asia, and East Asia on the question of hegemony.
- A second major point of concern is how other countries would react to our appearing to unilaterally abandon a defense commitment. Let me just recall that our problems began in 1950 over Korea. Our analysis of that situation is that statements by our then-President and Secretary of State misled the Russians and North Koreans into believing that we would not respond to a military action in Korea. In this sense we bear some responsibility for the Korean War. We continue to believe we cannot afford to have adversary states doubt the seriousness of our purpose on defense matters. This is in your interest as well as our own.

In addition, we believe it would not be in your interest any more than our own to have Japan, the NATO countries, or other allies doubt the value of our security commitment. If they do, they may take actions on their own, or seek other relationships, which would be to neither of our interests.

- Finally, let me just say that I know President Ford feels strongly that our national respect will not allow us to just throw aside a security obligation, no matter how expedient it might appear to do so. When he stands up before the voters in 1976 he wants to be able to say that we built

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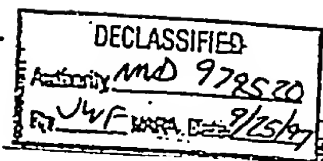
our relationship with you in an honorable way, as well as in a way that contributed to everyone's security.

- Having said this, let me add that we understand fully your difficulties on this question. We recognize the degree to which your own national pride, security, and political commitments are involved in the Taiwan issue. How can we mutually resolve this problem? Let me make the following concrete proposal which is based on two objectives: First, that the U.S. reduce to a minimum its future involvement in the security of Taiwan. We don't need the island for our security now that we have a positive relationship with you. What we need to protect is the integrity of our security commitments elsewhere and the positive public feeling about our relationship with you. Second, that we continue to gradually reduce our security presence on Taiwan so as to minimize the impact on Taipei and on our public. From the perspective of these two objectives, let me suggest the following:

It would be of greatest help to us if you could make a public statement at your own initiative -- in a way that did not compromise your sovereignty -- indicating that as long as Taiwan does not declare its separation from China or invite in a foreign power to threaten your security, that you are prepared to use peaceful means to solve the Taiwan question. Such a statement would be consistent with a number of past public and private statements by the Premier or Vice Premier Teng -- some of which have been made to us in these talks -- about your willingness to "strive for peaceful liberation."

[If the Chinese side responds by saying that they cannot make a public statement committing themselves to a "peaceful transition," the following points would form the basis of a fallback position. You will have to decide on the basis of Presidential guidance and the mood of the moment in Peking whether to go right to the fallback or delay in using it until some future time.]

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- We understand that Chairman Mao has said he could wait a hundred years to regain control of Taiwan. We trust the Chairman's word. Our problem is how his private comment might be given concrete and public expression at the time we normalize relations, and how we will answer the criticism that we had sold out old friends by accepting a mere promise to delay the day of a possibly violent liberation -- a promise which some would say might be repudiated by the Chairman's successors. At a minimum under these circumstances we would have to meet our requirements by maintaining a small military linison presence on Taiwan and an active military sales program. We do not believe this would constitute a very favorable basis on which to build a long-term and normal relationship with you. Thus we hope you will reconsider your position about the possibilities for a "peaceful transition."

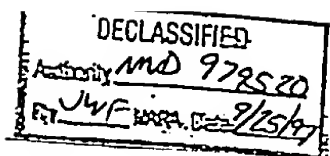
[If the question of military sales to Taiwan comes up:] We are prepared to reduce gradually cash military sales to Taiwan to a level of one-to-one replacements. In the meantime we will continue to make available to them only defensive military equipment, and we will not dramatically increase their military capability. We will end all co-production arrangements when the F5-E program is completed in 1978.

[Regarding the further reduction, and ultimate withdrawal of our military manpower and installations from Taiwan, you will have two negotiating options: The first is a statement of intent to bring about a complete but phased withdrawal by 1978. The second is a bargaining posture in which you link the complete withdrawal of our military presence on the island to a peaceful resolution of the Taiwan question (the Shanghai Communique position) or to a unilateral statement of intent by Peking about "peaceful liberation." You will want to decide which approach to use on the basis of how forthcoming Peking turns out to be on the Taiwan security problem.]

- We will further reduce our remaining military manpower, which by the summer of 1975 will be down to about 3,200 men. We will make a 50% reduction by mid-1976, and phase out the remainder by the end of 1978. We do not

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think it is in our mutual interest to cut the island off suddenly in the areas of our military presence or supply as they would only be impelled to seek sources of supply and assistance elsewhere.

- As you well know, this matter is linked in the Shanghai Communiqué to the question of a peaceful resolution of the Taiwan situation. We remain committed to the ultimate objective of a total withdrawal. Indeed, we know that completing the withdrawal will establish the best basis for our future relations with you. We hope we can do this as rapidly as possible over the next several years. But frankly this is a question which is related to the degree to which you are prepared to commit yourself publicly to support for a "peaceful transition" for Taiwan, or -- of course -- to any actual progress made between you and the authorities on Taiwan toward a peaceful resolution of your differences.

-- Finally, let me say that if we are able to resolve the matter of a "peaceful transition" for Taiwan, we believe that, together with the other moves I indicated we are prepared to make, we will then have the basis for completing the normalization process. There will remain, to be sure, certain bilateral matters such as resolving the private claims issue and granting MFN to your country, or establishing an air transport agreement, which will stand in the way of a fully normalized relationship. But once we have made the basic political decision to establish diplomatic relations, it would seem that these issues are only technical matters that can be solved relatively easily.

We hope that this one major problem can be resolved. If you can see a way to do so, then President Ford has asked me to tell you that he is prepared either to come to Peking before June, 1976, or to have one of your senior officials come to Washington, to consummate the establishment of diplomatic relations between the U.S. and PRC.

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